cause they all radiate from the everyday negotiations that are going on individually and collectively. Economics is not production or exchange, but bargaining; ethics, religion, and law are the rules; politics and government, corporations and unions are the collective agencies; history is the living process; and the problems of today have a big equipment for their solution derived from this inheritance. It is this satisfying unity of the whole subject that makes the book so readable and teachable, besides making it an introduction and a compendium of all the social sciences.

Of course, in dealing with present-day problems the author runs into unsettled issues, where it would require many more books to discuss the pros and cons. Here the problem is left for the several special sciences, but not left in the air, for the issues are distinctly stated and the standards of judgment have already been clearly furnished for their solution. The present problems are narrowed down to "liberty," "union," and "democracy." Liberty has shifted from freedom from oppression by government to freedom through business and industry. The problems of union are the race problem, capital and labor, and conservation of natural and human resources. The problems of democracy are the checks and balances, the invisible government and the long ballot that obstruct self-government and equality. The economic problems, growing out of the industrial revolution are treated at considerable length under the head of "problems of coöperation and right in business," leading up to good faith, reliability, responsibility, public welfare, fair price, fair wage, and fair competition, and these constitute a well analyzed introduction to modern economics.

Altogether, considering the many problems of reconstruction forced upon us by the war and the evident responsibility of our educational system to prepare for them, Professor Tufts has done an important service in simplifying the elementary instruction in civics and especially in giving to economics a real place in that instruction.

John R. Commons.

University of Wisconsin.

Profit and Wages. A Study in the Distribution of Income. By G. A. Kleene. (New York: The Macmillan Company. 1916. Pp. iv, 171. $1.25.)

Thinkers approaching this little book with the conviction that there is a supreme advantage in treating the rate of interest as a

price, as Cassel has demonstrated so brilliantly (*The Nature and Necessity of Interest*, 1903), will be surprised to observe that Professor Kleene, at the outset of his treatment (pp. 9-10) considers it "advantageous . . . to forget the existence of money and to think of commodities and services as exchanged by barter." As they proceed to follow his critical examination of current theories of interest—Boehm Bawerk's, the time-preference and abstinence theories, the productivity theory—they will be struck again and again by the reflection that the inadequacy revealed in these theories by Professor Kleene, has been already revealed more tellingly by Cassel. Closer examination shows that Professor Kleene nowhere makes reference to the work of Cassel, so it must be assumed that he is unacquainted with it. The extent of this misfortune can scarcely be overestimated. It handicaps the author, both in the critical and in the constructive parts of his work.

When Professor Kleene comes to the development of his own theory of profit and wages, however, called by him "the residual claimant theory," we are called upon to examine it seriously. It is based upon the identification of capital with advances to labor. Taking the capitalistic process as a whole, and ignoring the transactions by which some capitalists sell 'intermediate goods' to other capitalists, he points out that what the capitalist class does, as a whole, is to make the necessary advances of wages, and of wages only—a "wage fund." How much, in the aggregate, they can and do advance he believes to be "determined independently of the rate of profit and of the value of the product" (p. 114); it is determined, rather, by the amount of surplus (real) product achieved by the capitalistic process of production as compared with the direct process, and by the necessity of paying (real) wages at least as high as laborers can make "in old world countries," or "under pre-capitalistic conditions." The former amount, apparently, is to be taken as a maximum, the latter as a minimum. So we have what Professor Kleene frankly presents as modernized forms of the wages-fund theory and the subsistence theory.

For this theory of distribution Professor Kleene claims four chief advantages. (1) It accounts for the *general level* of wages, whereas the marginal productivity theory accounts only for differences in comparative wages; (2) it avoids the necessity of reasoning in a circle, through comparison of *values* (that of the capital and that of the income), to account for the rate of interest; (3) it explains why interest is made on the "payroll" as well as on the

"capital goods"; and (4) it bears some significant relation to the objective facts of the business world and avoids the barren scholasticism of so much recent theorizing, especially that of the "subjective valuationists."

The essential validity of Professor Kleene's contention will not be easy to determine.

The first question to be raised in an attempt to weigh the contention, relates to its most fundamental assumption. Is it true that "we are driven to a choice between two theories of *residual* income" (p. 104)? Unless we find (aggregate) profit to be independently determined, are we then obliged to find (aggregate) wages independently determined, the other share being left in each case as residual? Or are these two shares, on the contrary, determined chiefly by interdependent causes? One who holds that the rate of interest is a price will maintain that causes acting solely upon the one share or the other are relatively unimportant, and that causes acting upon both are relatively important. He will call attention to the crucial importance of the relative prices at which comparable units of labor and of capital happen to be selling. So he will uphold the proposition that factors operating upon either side of the labor market, or upon either side of the market in which the use of capital changes hands, could not fail to influence both the rate of interest and the rate of wages and the consequent distribution of the social income.

The wages paid and the capital advanced, it seems to me, may well be identified, as Professor Kleene identifies them. What else does it mean when we speak of the function of the capitalist as that of waiting? Do we not mean that the capitalist class does practically all the necessary waiting, and that all the waiting performed is occasioned by reason of the necessity of advancing wages? It seems to me that we do—but that we include, also, an element overlooked by Professor Kleene: we include the element of time, saying that wages to a certain amount are advanced for a month, or a year. Without the element of time, there is no way to measure the amount of the waiting, nor to calculate its value. It is this inadequate appreciation of the two-dimensional character of waiting that causes Professor Kleene trouble in making his wages-fund determinate. For unless the production period is fixed, say by mechanical considerations, it may vary with changes in the rates of wages and interest, and is not independently determined.

At a time when the current of economic thinking has for some time been running strongly in the direction of particularistic and concrete studies in so-called practical fields, Professor Kleene, by attempting to solve fundamental problems of theory at all, has earned the right to special commendation. He deserves credit also for recognizing that the characteristic method of economic theory is hypothetical, the method of successive approximations, and for exhibiting an example of the method that is far above the average. Students of economic theory, more especially general theory such as seeks for fundamentals, can read this book with advantage—for whether its thesis turns out to be true or not its stimulation to fundamental thinking is genuine. And those theorists who are still unwilling to place the price concept at the center of interest will welcome an earnest attempt like this one to show what can still be done without capitulating to the opposing camp.

CARL E. PARRY.

Ohio State University.

NEW BOOKS

DUNCAN, K. *Exercises in elementary economics.* (Canton, China: College Bookstore, Honglok. 1918. Pp. 72. $1.50.)

Prepared to supply students in Chinese colleges with a convenient laboratory manual.

FOLWELL, W. W. *Economic addresses.* (Minneapolis: Bull. Univ. Minn. 1918. Pp. 99. 50c.)

The addresses are on the following subjects: the ethics of business, trusts, single tax, socialism true and false, and the new economics.

MCKITRICK, R. *Outlines and exercises in economics.* (Cedar Falls, Iowa: College Drug and Book Store. 1917. Pp. 137.)

Not intended as a textbook or a substitute for a textbook, but rather as a supplementary laboratory manual. Outlines are given under forty-one topics and with each outline there is a series of questions with references to the more important general and special texts. There are a few extended excerpts from books not readily accessible. The volume should prove helpful to the teacher of elementary economics, particularly in smaller colleges where library facilities are limited.

READ, H. E. *The abolition of inheritance.* (New York: Macmillan. 1918. Pp. xxvii, 312. $1.50.)

Economic History and Geography

The Chartist Movement. By the late MARK HOVELL. Edited and completed, with a memoir, by T. F. TOUT. Publications